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HR Metrics & Analytics

MSB21T2001

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Topics to be discussed

HR Decision-making

Phases of Development of HR Analytics

Caselet -HR Analytics is not a Panacea for Google

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RECAP: SESSION 8

- Caselet –Discussion De La Rue Example
- Google
- Facebook
- Amazon
- Shell global
- Schlumberger
- DuPont India
- HR Decision-making and HR Analytics
- Challenges in HR decision-making

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HR DECISION-MAKING

- In the process of emulating best practices, HR managers get influenced by organizational experiences, more specifically in terms of cognizance to decisional consequences.
- Data-driven HR decision-making is in practice in organizations for quite some time.
- In fact, researchers such as Locke (2009) and Charlier et al. (2011) could observe that an HR decision-making process, across organizations, has the richest scientific evidence.
- This signifies that organizations have already embedded a data-driven HR decision-making process, for their sustenance.
- Evidence-based HR decision-making, in its current stage of development, signifies factoring of managerial practices and decision-making with couple of factors such as evidence-based indicators and metrics, procedural justice and ethical issues, stakeholders' interests and so on.
- In all such cases, the use of big-data and HR analytics can help.

HR DECISION-MAKING

- HR managers largely feel constrained in their decision-making process for couple of reasons, such as organizational systems, regulatory influences, social influences and stakeholders' responses.
- Most of the HR decisions in organizations often neglect the stakeholders' interests, resulting gradual decline in their performance and brand value.
- For example, 'say on pay' is a critical issue for shareholders . In India, it is yet to gain popularity, but in Europe, America and a couple of other industrially advanced countries, this issue is gaining importance.
- 'Say on pay' means exertion of shareholders' right to vote against or for the proposed executive compensation packages of organizations, which have been approved by the compensation committee, and put up for vetting before the shareholders' annual general meeting.
- Shareholders' today are more informed for the information availability from various shareholders' advisory services. Even though shareholders' voting effect is non-binding for the company, but when they vote against, companies dissuade them to implement the increased compensation package, fearing decrease in market capitalization and dilution of their brand value.

HR DECISION-MAKING

- Similarly, HR decisions on the redesigning of a performance standards, introducing new key performance indicators (KPIs), without factoring the employees' responses, often create crisis for the organizations.
- On the positive node, diversity inclusive policy design, or creating new career anchors for the employees for increasing career development opportunities for the employees, may have significant effect in terms of reduced employee attrition.
- It also helps organizations to enhance their brand value, which can attract new talent to join the organization
- Data-driven HR decisions, which we call HR analytics, even though considered to be the best and scientific, are not to be considered as sacrosanct.
- Even in today's dynamic business environment, HR analytics is a means to an end. HR decisions which can be made analytics bound are particularly non-strategic in nature.
- These are more operational.

HR DECISION-MAKING

- Walmart's manpower planning model helps it assess how with every additional headcount its sales revenue changes.
- Hence, before the start of their day, managers here first decide manpower allocation, using the prudence of cross-utilization, balancing the customers' services and queuing problems in sales outlets.
- Apparently, this is an operational issue, but having high strategic significance, as over and under engagement of manpower can affect the company's sales revenue and so also the profit or the bottom line.
- Similarly, in workforce planning, analytics can help interpreting the transition probabilities of managerial employees' attrition, to decide on the current recruitment level of executive/managerial employees, pacing with organizational future leadership programme.

HR DECISION-MAKING

- Here, HR analytics can only lend support in strategic workforce planning, making data available and interpreting the attrition trend in an organization.
- Therefore, with HR analytics, operational HR decisions can achieve success with high degree of precision, and strategic HR decisions become less risk-prone
- Analytics-based HR decisions can significantly reduce the decisional bias. Often a typical confirmation bias, i.e., propensities of HR managers to support their decisions with available information, which is a typical problem of bounded rationality, lands them into a problem of wrong decision-making with negative consequences.

HR DECISION-MAKING

- For example, HR managers, often under pressure, hasten their recruitment decisions without adequate verification of the antecedents of employees who later transpire to be problem employees for the organization.
- Similar decisional bias in HR functions may occur due to a consensus effect (result of groupthink), deadline effect (to achieve the target within the mandated time), ethics effect (issues pertaining to ethical compliance), regulatory effect (pertains to legal compliance issues) and also the branding effect.
- Professionally designed HR analytics make use of statistical models to predict the future, or the implications of current HR trends, including decisions on critical future organizational issues, such as sustainability, growth, revenues and bottom-line changes.

HR DECISION-MAKING

- Many consulting organizations have developed such predictive decision-making suites with their HR analytics packages.
- However, despite such enhanced technology-enabled HR analytics and predictive decision-making support, and despite organizational investments in such resources, many HR managers even to date are not able to reinforce their HR decision with strategic insights.
- They still believe in intuitive decision-making process, with poor strike rate of success. Very few organizations today audit their HR decisions.
- Some of the very well-known organizations that invest in such annual audit could surprisingly identify wrong HR decisions not only increased the cost of litigation but even affected their sales revenue, and ultimately their profitability.

HR DECISION-MAKING

- Powerful HR analytics can predict how employees' satisfaction cascades to customers' satisfaction, which in turn leads to repeat buying.
- Similarly, employees' satisfaction leads to their increased level of motivation, productivity and performance.
- Strategically, therefore, organizations need to invest on enhancement of employees' satisfaction.
- One possible area is investment in building their positive attitude.
- Through HR analytics, firms can appropriately conclude what could be contributing to employees' positive attitude.

HR DECISION-MAKING

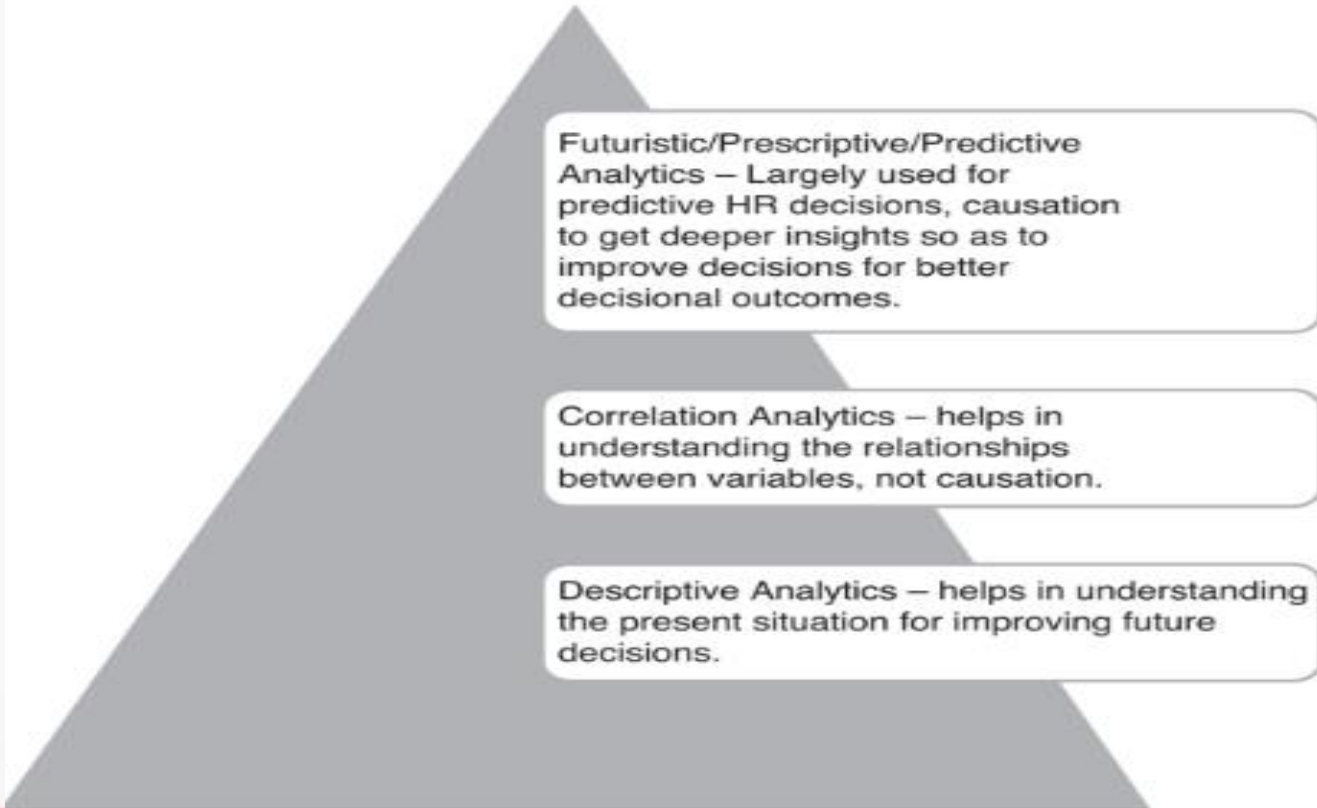
- Characteristically, HR analytics, therefore, is not just availability of big data
- But it includes use of statistics and research design for specific HR decisional issues, and then making use of relevant data, both within and outside the organization, for predictive decision-making.
- Using HR analytics, HR managers can effectively align their HR functions with the business and legitimize the strategic significance of human resources in organizations.
- We have already said that HR decision-making processes over the years have been increasingly becoming data driven.
- When we analyse the evolution process of HR analytics, we can appreciate also the changing pattern of HR decision-making.
- With predictive analytics, HR decision-making processes have now become more encompassing, integrated, strategic and business aligned.

HR DECISION-MAKING

- While in the beginning phase of data-driven HR decision-making process, HR managers were contended with the use of metrics, complexities of business gradually increased the scope of HR decision-making, requiring HR managers to understand the correlations between variables.
- Finally in the current phase of the development of HR analytics, for effective HR decision-making, HR managers focus on both causation and predictions.
- With predictive analytics, HR managers can envision the future landscape, and factoring such outcome, i.e., implications of their current decisions on future, they can make their decision-making process more and more effective.
- Figure illustrates different phases of development of data-driven HR decision-making. The use of metrics is identified as the phase of descriptive analytics; the use of correlation (to study the relation between different variables) is identified as correlation analytics, while the HR analytics in its current form is known as prescriptive/predictive analytics.

HR DECISION-MAKING

(Phases of Development of HR Analytics)



Futuristic/Prescriptive/Predictive Analytics – Largely used for predictive HR decisions, causation to get deeper insights so as to improve decisions for better decisional outcomes.

Correlation Analytics – helps in understanding the relationships between variables, not causation.

Descriptive Analytics – helps in understanding the present situation for improving future decisions.

HR DECISION-MAKING

- Predictive analytics: It can assess the probability of future occurrence of an event, which may have significant implications on HR decisions.
- A survey by IBM in 2010 indicated that HR decision-making process is increasingly becoming prediction and causation based.
- Obviously for this reason, technology vendors (including IBM) are now making available HR analytics packages that are capable to make scientific, predictive and causation-based studies.
- However, HR managers, across organizations are still not very comfortable to make use of predictive analytics packages, as this requires good understanding of statistics in interpreting data.

HR DECISION-MAKING

- Broadly, HR decision-making can be categorized in two types: financial decisions and data-driven decisions.
- Financial HR decisions are ROI on training or any other financial impact of HR decisions taken in organizations. Data-driven HR decisions are those which are facilitated by HR analytics.
- The data-driven HR decision-making in Google with the help of HR analytics.
- Financial HR decisions: Common types of decisions under this category are: ROI on training, any financial impact analysis relating to HR decisions and so on. Such decisions are most metrics driven.
- Data-driven HR decisions: HR decisions based on HR

Caselet

- HR Analytics Is not a Panacea for Google
- For Google, innovation is the major driving force. As the company expects its people to be innovative, so also they create the right ambience to create an enabling culture of workplace innovation embracing innovative HR practices.
- Think of perks, those are unique at Google. We cannot get gourmet food in office canteen, except in Google.
- A barber shop and sleeping pods are yet other unique perks for Googliers.
- Google does this not just to create headlines in the corporate news but to reflect how serious it is in managing its people.
- With research inputs from behavioural science, Google continuously upgrades its PiLab (People & Innovation Lab). With Google analytics, the company tries to get deeper insights into HR issues, and manages supports and develops its human resources to remain on the top. Thus, while Google analytics provide the insights, Google's innovative HR practices reinforce the support to achieve the excellence. Thus, standalone use of HR analytics is not a panacea for Google.

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